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INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC
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RUEHBO/AMEMBASSY BOGOTA 3100
RUEHCV/AMEMBASSY CARACAS 9157
RUEHLP/AMEMBASSY LA PAZ MAR QUITO 0111
RUEHSG/AMEMBASSY SANTIAGO 0279
RUEHBU/AMEMBASSY BUENOS AIRES 2299

UNCLAS LIMA 000953

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STATE FOR WHA/AND, WHA/EPSC AND EB/IFD/OMA
STATE PASS USTR (BHARMAN)
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SENSITIVE
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E.O. 12958: N/A
TAGS: [SENV](#) [ECON](#) [EMIN](#) [EINV](#) [ETRD](#) [SOCI](#) [PGOV](#) [PE](#)
SUBJECT: ENVIRONMENTAL CLEANUP PLAN FOR LA OROYA SMELTER

¶1. (SBU) Summary: U.S. firm Doe Run requested in December to extend timetable for implementing its Environmental Compliance Plan (PAMA) sulfur dioxide (SO2) treatment project at the La Oroya copper smelter. Heavy metal and sulfur dioxide emissions have plagued La Oroya since its 1922 startup, although NGO scrutiny began after Doe Run's 1997 acquisition. Some NGO's and media are campaigning to have the Mine Ministry (MEM) deny the request (citing heavy metals, not the issue in Doe Run's request), while residents surrounding la Oroya overwhelmingly support Doe Run's Request. Under the existing regulatory framework, the MEM Minister will issue a decision sometime after the April 9 presidential election. A recent tour of la Oroya by USG and NGO visitors found SO2 work in progress, significant operational changes as well as a number of community service projects. End Summary.

REQUEST FOR EXTENSION OF SULFUR EMISSIONS PLAN

¶2. (U) On December 20, 2005, U.S. mining firm Doe Run Peru filed with the Ministry of Energy and Mines (MEM) a request to postpone the compliance date for reducing sulfur dioxide (SO2) emissions at the La Oroya smelter. Located 150 km NE of Lima, La Oroya uses complex smelting/refining techniques to produce copper, zinc, gold, silver, lead and other metals. The request involves extending one of the nine remediation and management projects that comprise the Environmental Compliance Plan (PAMA is the Spanish acronym) that Doe Run undertook when it acquired La Oroya during the GOP's privatization campaign in 1997. The La Oroya complex has been operated continuously since 1922 (expropriated in 1974), with SO2 and heavy metals (lead, cadmium and others) as smelting byproducts. Doe Run's detailed PAMA highlighted health issues that had been ignored throughout La Oroya's history.

¶3. Under a 2004 GOP decree, any metallurgical firm's PAMA may be amended. Doe Run's current PAMA for SO2 emissions contemplated reaching MEM emission levels by the end of ¶2006. With new plans to build more complex SO2 emissions facilities (three instead of one), Doe Run requested to amend the PAMA to extend the time for achieving reduction of SO2 emissions until 2010. The MEM reviewed the request and on February 17 requested 90 clarifications; Doe Run has

30 days to answer. The MEM has 45 days from receipt of Doe Run's answers to issue its decision. Even under the quickest possible timeline, the MEM would not have to issue a decision until after the April 9 elections.

¶4. (SBU) Doe Run has until March 20 to answer the MEM's 90 observations. The company's environmental director told Econoff on March 1 that the company would use that time to address all of the GOP's concerns. MEM Mining Environmental Director told Econoff that the MEM also would take the maximum time permitted by regulation to analyze Doe Run documents, because of the important health concerns involved. (Note: Doe Run and MEM environmental engineers have been meeting over many weeks to refine the PAMA and want to get the SO2 management process right. The World Bank accepted the MEM's request to send experts to help evaluate Doe Run's request.

CRITICISM FOCUSED ON LEAD LEVELS; RESIDENTS SUPPORT DOE RUN

¶5. (U) Health problems associated with La Oroya received government, NGO and media attention after Doe Run's 1997 acquisition, focusing on high blood content levels of heavy metals such as lead and cadmium in the local population near or downwind of the complex. Media criticism of Doe Run remediation efforts intensified following the release of a preliminary 2005 health study by St. Louis University (SLU), which indicated that resident children still had high blood levels of lead (Note: the results did not link heavy metal blood levels to Doe Run activity, nor did it discuss the SO2 emissions that are the subject of the current PAMA extension request. The SLU study's final results are expected in July 2006. End Note.)

¶6. (U) A number of media articles and NGO press releases have come out advocating that the MEM not approve Doe Run's PAMA extension request. Most articles decry the historic problem of heavy metals in residential health and do not discuss the SO2 emissions that are the subject of the PAMA request. Several of the leading Doe Run critics recently called on Charge to explain why high metal blood levels should convince the MEM to deny the extension request. Some Peruvian Congressmen have repeatedly, but unsuccessfully, introduced a motion to force the MEM to deny the PAMA request. The La Oroya mayor and what appears to be an overwhelming majority of local residents have mounted a strident campaign to convince the MEM to accept the Doe Run request.

¶7. (U) Doe Run begun its remediation efforts in 1997 as part of its PAMA projects to reduce heavy metal emissions. The firm initiated measures -- such as dust filters, ensuring employees showered and did not wear contaminated work clothes home -- that have reduced levels, although not enough according to some NGO's. Doe Run maintains that it will honor PAMA commitments on heavy metalsQ achieve emission reductions by the end of 2006.

VISIT TO SMELTER

¶8. (U) Econoff and Regional Environmental Officer visited the La Oroya works on February 17, along with Embassy USAID environmental specialist and visitors from the Nature Conservancy. The group toured the town, the smelter complex and various satellite facilities. Work was in progress to demolish one sulfur scrubbing facility in preparation for construction of the new SO2 treatment facility. The group also visited a small cheese factory the Doe Run funded (with cows imported from the U.S.) to provide employment for local residents and the school built and operated by Doe Run for children at risk of heavy metals contamination. Health workers briefed the visitors at the town center jointly operated by Doe Run and the Ministry of Health's Environmental Health agency DIGESA.

COMMENT

¶9. (SBU) Doe Run's PAMA extension request is straightforward even though the scientific and technologic

details are complicated. The MEM's environmental division, with assistance from the Ministry of Health and World Bank experts, is capable of negotiating the appropriate environmental management plan for Doe Run. Negative media coverage and lobbying by NGOs, most of it tangential to the PAMA extension request, is making it difficult for MEM Minister Sanchez to make a technical, non-political decision. He may very well try to delay a decision in order to leave the decision to his successor. As with many mining and environmental controversies in Peru, misinformation in the media is common; to Doe Run's credit, the La Oroya residents are overwhelmingly on the side of the company. A recent accident along the Camisea natural gas liquids pipeline has momentarily deflected hostile eyes from Doe Run's PAMA.

POWERS